

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SHERIFF**

**For The Period
October 1, 2004 Through December 31, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLINTON COUNTY SHERIFF

**For The Period
October 1, 2004 through December 31, 2004**

The Auditor of Public Accounts has completed the Clinton County Sheriff's audit for the period October 1, 2004 through December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$60,225 from the prior period, resulting in excess fees of \$60,225 as of December 31, 2004. Revenues increased by \$5,923 from the prior period and expenditures decreased by \$82,280.

Report Comments:

- The Sheriff Should Deposit Money Received For Restitution In Escrow Account
- The Sheriff's Office Lacks An Adequate Segregation Of Duties Over Receipts

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS	11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie McWhorter, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Clinton County, Kentucky, for the period October 1, 2004 through December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the period October 1, 2004 through December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005, on our consideration of the Clinton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Donnie McWhorter, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Deposit Money Received For Restitution In Escrow Account
- The Sheriff's Office Lacks An Adequate Segregation Of Duties Over Receipts

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 18, 2005

CLINTON COUNTY
 RICKY RIDDLE, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For the Period October 1, 2004 Through December 31, 2004

Revenues

State - Kentucky Law Enforcement Foundation Program Fund	\$	741
----------------------------------------------------------	----	-----

State Fees For Services:

Finance and Administration Cabinet	\$ 7,679	
Cabinet For Health and Family Services	242	7,921

Circuit Court Clerk:

Service of Process	\$ 120	
Fines and Fees Collected	100	220

Fiscal Court		11,254
--------------	--	--------

County Clerk - Delinquent Taxes		301
---------------------------------	--	-----

Commission On Taxes Collected		65,924
-------------------------------	--	--------

Fees Collected For Services:

Auto Inspections	\$ 1,110	
Accident and Police Reports	24	
Serving Papers	3,255	
Carrying Concealed Deadly Weapon Permits	2,220	
Transporting Prisoners	847	7,456

Other:

Miscellaneous		6
---------------	--	---

Interest Earned		75
-----------------	--	----

Total Revenues	\$	93,898
----------------	----	--------

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
 RICKY RIDDLE, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period October 1, 2004 Through December 31, 2004
 (Continued)

Expenditures

Operating Expenditures:

Personnel Services-		
Deputies' Salaries		\$ 15,748
Employee Benefits-		
Employer's Share Social Security	\$ 942	
Employer's Share Retirement	<u>1,106</u>	2,048
Contracted Services-		
Transporting Prisoners		183
Materials and Supplies-		
Office Materials and Supplies	\$ 3,395	
Uniforms	<u>930</u>	4,325
Auto Expense-		
Gasoline	\$ 1,820	
Maintenance and Repairs	<u>270</u>	2,090
Other Charges-		
Conventions and Travel	\$ 449	
Dues	30	
Postage	107	
Dues	300	
Bond	7,435	
Carrying Concealed Deadly Weapon Permits	710	
Miscellaneous	<u>248</u>	<u>9,279</u>
Total Expenditures		<u>\$ 33,673</u>
Excess Fees Due County For The Period		
October 1, 2004 Through December 31, 2004	\$ 60,225	
Payment to Fiscal Court - June 29, 2005	<u>60,225</u>	
Balance Due Fiscal Court at Completion of Audit		<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
RICKY RIDDLE, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for services provided from October 1, 2004 through December 31, 2004
- Reimbursements for October 1, 2004 through December 31, 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided from October 1, 2004 through December 31, 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY
RICKY RIDDLE, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Eradication Fund

The Sheriff's office maintained a Drug Eradication Fund. Receipts for this fund are from court ordered payments related to drug cases. These funds are reserved for law enforcement involving drug eradication purposes only and are not available for excess fee purposes. As of September 30, 2004, the former Sheriff had an ending balance of \$100 in the Drug Eradication Fund. On October 10, 2004, the drug eradication fund balance of \$100 was transferred to Sheriff Ricky Riddle. During the period October 1, 2004 through December 31, 2004, this fund had receipts of \$270 and no disbursements. As of December 31, 2004, the drug eradication fund balance was \$370.

CLINTON COUNTY
RICKY RIDDLE, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 5. Court Ordered Restitution

The Kentucky State Police conducted an investigation resulting in the prosecution of Cynthia Moreland, former office manager of Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,066 for 2003 fee account, \$19,593 for January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005, Cynthia Moreland plead guilty to these charges. The Clinton County Circuit Court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years. As of August 18, 2005, the Clinton Circuit Court Clerk has collected \$11,000 from Ms. Moreland on the court ordered restitution of \$45,159 and has paid this money over to Clinton County Sheriff Ricky Riddle.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
RICKY RIDDLE, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period October 1, 2004 Through December 31, 2004

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Deposit Money Received For Restitution In Escrow Account

During the 2003 tax collection period, the former Sheriff notified the Kentucky State Auditor's Office that a theft had occurred in his tax account. The Kentucky State Police conducted an investigation of this matter resulting in the prosecution of Cynthia Moreland, former office manager of Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,066 for 2003 fee account, \$19,593 for January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005, Cynthia Moreland plead guilty to these charges. The Clinton County Circuit Court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years.

As of August 18, 2005, the Clinton Circuit Court Clerk has collected \$11,000 from Ms. Moreland on the court ordered restitution of \$45,159 and has paid this money over to Clinton County Sheriff Ricky Riddle. We recommend that Sheriff Ricky Riddle deposit this money and any future restitution in an escrow account until the money can be distributed. The money should be used to pay the former Sheriff's liabilities as follows: \$14,066 for calendar year 2003, \$19,593 for the period of January 1, 2004 through September 30, 2004, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections.

Sheriff Ricky Riddle's Response: None

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

2) The Sheriff's Office Lacks An Adequate Segregation Of Duties Over Receipts

The Sheriff's Office lacks an adequate segregation of duties over receipts. Due to the diversity of operations of the Sheriff's Office, its small size and budget restrictions, the Sheriff has limited options for establishing an adequate segregation of duties over receipts. We recommend the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger, reconciling any differences. He could document this comparison by initialing the bank deposit ticket, the daily checkout, and receipts ledger.
- The Sheriff should periodically recount and deposit cash, documenting by initialing the bank deposit ticket.
- The Sheriff should conduct surprise cash counts, documenting by initialing the daily checkout sheet.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook, reconciling any differences. He could document this comparison by initialing the bank reconciliation and the balance in the checkbook.

Sheriff Ricky Riddle's Response: We will comply.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie McWhorter, Clinton County Judge/Executive
Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clinton County Sheriff for the period October 1, 2004 through December 31, 2004, and have issued our report thereon dated August 18, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. This reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks An Adequate Segregation Of Duties Over Receipts

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The
Financial Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's financial statement for the period October 1, 2004 through December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Deposit Money Received For Restitution In Escrow Account

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 18, 2005

